

APPENDIX J

CDBG BENEFIT TO LOW AND MODERATE INCOME (LMI) PERSONS FOR HOUSING & NEIGHBORHOOD RENEWAL PROJECTS

I. INFORMATION TO BE INCLUDED IN THE APPLICATION CONCERNING THE PROPOSED PROJECT'S BENEFITS TO LMI RESIDENTS

When responding to Ranking Criterion 4 (*Benefit to Low and Moderate Income Persons*), applicants **must provide both**:

- 1) **a narrative response that describes how the proposed project will principally benefit LMI persons**; and
- 2) **a completed copy of the CDBG Benefit to LMI Form** (page J-6 of this appendix; instructions for completion of the form are on page J-2).

To reflect Congress' intent that CDBG funds principally benefit low and moderate-income families, Ranking Criterion 4 assigns points based on the percentage of CDBG funds that will assist low and moderate-income persons. Applicants proposing to use CDBG funds for **area-wide activities** must provide data to demonstrate that at least 51% of the persons who would benefit from CDBG assistance have low or moderate incomes. MDOC will evaluate how CDBG financial participation in a housing project will actually benefit LMI residents.

Therefore, **each applicant must document in its application that a minimum of 51% of the non-administrative funds requested for a CDBG project will be used for activities that are clearly designed to meet identified needs of persons of low and moderate income in the area.** Applicants must also demonstrate that any activities proposed will not benefit moderate-income persons in a manner that would exclude or discriminate against low-income persons.

II. HOW THE PERCENTAGE OF PROJECT BENEFITS TO LMI HOUSEHOLDS IS CALCULATED

The percentage of benefit to low and moderate income is determined (and listed on the Benefit to LMI Form, page J-6 of Appendix J of these Application Guidelines) by **dividing**:

- a) the amount of non-administrative CDBG funds proposed to be used in the project to principally benefit low and moderate-income households
- by**
- b) the total amount of non-administrative CDBG funds requested by the applicant.

The procedure for calculating this percentage is described in detail in the Montana Department of Commerce (MDOC)/CDBG handbook *Documenting Benefit to Low and Moderate Income Persons, 2007 Edition* (http://comdev.mt.gov/CDD_CDBG_LMI.asp)

III. GENERAL GUIDELINES USED TO DETERMINE WHICH PROJECT ACTIVITIES PRINCIPALLY BENEFIT LMI HOUSEHOLDS

The following general guidelines can be used to determine which projects or activities will be considered as principally benefiting LMI households:

- ❑ The project has income eligibility requirements that limit the benefits of the activity to LMI persons, such as housing assistance which is provided only to low or moderate income families.
- ❑ The project serves an area, and principally benefits persons, where at least 51 percent of the residents are LMI and provides services for such LMI persons.
- ❑ The project involves facilities designed for use predominately by LMI persons (for example, transitional housing, homeless shelters).

IV. INSTRUCTIONS FOR COMPLETING THE “CDBG Benefit to LMI Form” (Complete and include in your application the LMI Form on page J-6.)

Applicants must complete the “CDBG Benefit to LMI Form” form (Page J-6) and include it in their application to document compliance with CDBG’s LMI benefit requirements. Applicants should use the form on page J-5 to describe the total CDBG dollar and percentage of LMI benefit that will result from their proposed projects. **Please contact CDBG staff if you need assistance in completing this form.**

The calculation of benefit to low and moderate income households (or persons) is a three-stage process.

- ❑ **First** -- compliance with the benefit to low to moderate-income (LMI) requirement is calculated on an activity-by-activity basis (excluding administrative activities for the project). Therefore, the percentage of benefit to low and moderate income households or persons must be calculated for each activity.
- ❑ **Second** -- the LMI benefit percentages for each activity must be applied to the CDBG funds requested (as listed in the application budget form in the Uniform Housing Application, Section C-Part II) for each activity to get the total number of dollars that will benefit low and moderate income households or persons.
- ❑ **Third** -- the OVERALL LMI benefit percentage is calculated (using the method described below -- step 9).

Each step in the calculations needed for the “CDBG Benefit to LMI Form is described below. Either households or persons may be used as the basis for calculation (though “households” is preferable) -- as long as the method selected is consistent with the method that will be used to verify the household income levels for those who will receive benefits under the proposed project.

1. In column A, describe the activity by name, such as "Housing Rehabilitation." Do not include administrative activities. The activities should be the same as shown on the application budget form under "ACTIVITY."
 2. In column B, show the total number of households (or persons) that the activity will serve.
 3. In column C, show the number of low and moderate-income households (or persons) that the activity will serve.
 4. In column D, show the percentage of low and moderate-income households (or persons) that the activity will serve. This is derived by dividing the number in column C by the number in column B for that activity.
 5. In column E, show the total amount of CDBG funds requested for the activity. This should be the same as shown on the application budget form under "ACTIVITY."
 6. In column F, show the amount of those funds that will be used to benefit low and moderate income households (or persons). This is derived by multiplying column E by the percentage in column D.
 7. At the bottom of column E, show the total amount of non-administrative CDBG funds by adding up the CDBG funds requested for each activity.
 8. At the bottom of column F, show the total amount of funds that will be used to benefit low and moderate-income households (or persons) by adding up the amount of funds to benefit low and moderate-income households for each activity.
 9. Determine overall benefit by dividing the total of column F by the total of column E to get the total CDBG project benefit to low and moderate-income households (or persons) and include the percentage at the bottom of the form.
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V. RESOURCES FOR FINDING LOCAL LMI INFORMATION

The MDOC Community Development Division has a webpage that will provide official LMI percentages (and other information, including population, number of households, number of persons, median household income (MHI), and poverty rate) **for all Montana counties, cities, and towns and also for special "Census Designated Places":**

http://comdev.mt.gov/Census_Search.asp

Census Designated Places: In 1999, MDOC worked with cooperating county governments to define the boundaries of certain unincorporated communities throughout Montana (such as county water and sewer districts). Many of these new "Census Designated Places" were included in the 2000 Census, which has resulted in census data being available for these areas in the 2000 Census.

The MDOC/CDBG handbook *Documenting Benefit to Low and Moderate Income Persons, 2007 Edition* (http://comdev.mt.gov/CDD_CDBG_LMI.asp) also includes a table (Exhibit C, available also from CDBG) that lists LMI percentages for all Montana counties, cities, and towns as calculated from 2000 Census data by the U.S. Department of Housing and Urban Development (HUD). CDBG staff (841-2791) will provide current Exhibit C information at your request.

When no census data is currently available for the specific project area:

For some applicants, there is no census data currently available for the specific project area, except to use census data for the entire county or city.

However, use of census data for the entire county or city may not accurately reflect the economic condition of households within the proposed project area. An example of an applicant that is not likely to have census data currently available for the specific project area would be a project that encompasses a particular neighborhood within a city.

As a result, for projects that do not have census data currently available, CDBG will compute the MHI, LMI and Poverty statistics by using data for the smallest geographical census area that encompasses the proposed project area.

MDOC's Census and Economic Information Center staff (841-2740; <http://ceic.mt.gov>) might be able to help you in such cases. Potential applicants will need to provide a map clearly showing the boundaries of the project area along with any other references, such as roads and rivers that would help to locate the project area on the census maps. For further information on Census data, contact the MDOC Census and Economic Information Center at 841-2740.

VI. CONDUCTING LOCAL INCOME SURVEYS

Applicants intending to conduct local surveys of household income must utilize the appropriate HUD income levels established for their county and must follow the guidance presented in the current edition of the MDOC handbook *Documenting Benefit to Low and Moderate Income Persons*.

Requirements:

- **Before conducting a local income survey, CDBG applicants need to submit a draft of the survey form they intend to use to MDOC's CDBG staff for CDBG review and approval** -- to assure that the results of the survey will be acceptable for ranking purposes. An applicant's failure to assure a statistically valid and sufficiently random sample for a local income survey will be considered sufficient grounds to discount claims made for percentage of benefit to LMI persons during the application review process.
- **The income survey methodology used must be described in the application you submit to CDBG (as part of your response to Ranking Criterion 4).**
- **A copy of the survey form used with a composite summary of all responses (and any analysis and interpretation of the results that has been done) must be submitted with your CDBG application.**
- **All original income documentation concerning surveys must be retained by the applicant and must be available for review and verification if the application is selected for funding.** The lack of adequate documentation to substantiate

compliance with the LMI benefit requirement is considered sufficient grounds for the Department to withdraw a grant award. **In order to assure fairness and statistically valid claims for LMI benefit, CDBG staff will closely review any local LMI survey results that vary more than 15% from the HUD LMI Data.**

- **MDOC will not accept the results from a local income survey for ranking purposes unless the applicant adequately describes the survey methodology used and adequately documents that the methodology meets the CDBG requirements, including:**
 1. use of correct LMI income levels;
 2. use of an acceptable survey format;
 3. meeting minimum sample size (number of returned surveys) -- using CDBG's formula as presented in Exhibit D, pages D-2 and D-3, of MDOC's *Documenting Benefit to Low and Moderate Income Persons, 2007 Edition*; and
 4. use of a survey sample was either truly random OR surveying the total population.

CDBG Benefit to LMI Form
(To be completed and included in your application.)

A	B	C	D	E	F
ACTIVITY DESCRIPTION (Do not include <u>Administrative</u> activities.) Indicate in columns B, C and D whether calculations are shown for <u>Households [H]</u> or <u>Persons [P]</u>	# of Households (or Persons) The Activity Will Serve	# of LMI Households (or LMI Persons) The Activity Will Serve	% of LMI Households (or LMI Persons) The Activity Will Serve	Amount of CDBG Funds For The Activity	Amount of CDBG Funds To Benefit LMI (Households or Persons) For The Activity
1.					
2.					
3.					
4.					
5.					
				TOTAL \$	TOTAL \$

OVERALL PERCENT BENEFIT TO LMI HOUSEHOLDS (OR PERSONS) = $\frac{\text{Column F}}{\text{Column E}}$ = ____%

See page J-2 of Appendix J for instructions for completion of this *CDBG Benefit to LMI Form*. Further guidance concerning CDBG's LMI benefit policies and calculation methods can be found in the MDOC/CDBG handbook *Documenting Benefit to Low and Moderate Income Persons*.